

Message Text

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ACTION EUR-12

INFO OCT-02 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00
EB-08 EA-10 FRB-03 INR-07 NEA-10 NSAE-00 USIA-06
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
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R 260738Z JAN 78
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC 420
INFO AMCONSUL ADANA POUCH
AMEMBASSY ATHENS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY NICOSIA
AMEMBASSY PARIS
CINCUSAFE
USCINCEUR
USDOCOLANDSOUTHEAST IZMIR
USDOCOSOUTH NAPLES
USMISSION GENEVA
USMISSION USNATO

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USEEC USOECD

USIA FOR IOP/M, IBS/PN, IPS/PE, IEU
USDOCOSOUTH FOR INTAF

E.O. 11652: N/A
TAGS: EGEN, TU
SUBJECT: TURKISH BUDGET COMMITTEE BEGINS WORK: ECEVIT GOVERNMENT
ADOPTS BUDGET DRAFT PREPARED BY DEMIREL GOVERNMENT
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REF: A) 77 ANKARA 8814, B) ANKARA 0170
SUMMARY: AFTER A LONG DELAY CAUSED BY THE CHANGE OF
GOVERNMENT, TURKEY'S JOINT PARLIAMENTARY BUDGET COMMITTEE
BEGAN DISCUSSION, JANUARY 21, OF THE 1978 BUDGET.
MINISTER OF FINANCE MUEZZINOGLU PRESENTED THE BUDGET
DRAFT THAT WAS PREPARED BY THE PREVIOUS GOVERNMENT,

NOW IN OPPOSITION. MUEZZINOGLU SAID THAT CHANGES WOULD BE MADE IN SOME ITEMS WITHIN THE BUDGET. PRIME MINISTER, REPORTEDLY, URGED MEMBERS OF HIS PARTY NOT TO INCREASE BUDGET EXPENDITURES. PRESENTATION OF BUDGET DRAFT PREPARED BY OPPOSITION DREW BOTH CRITICISM AND APPROVAL FROM ACROSS PARTY LINES. SPEAKING BEFORE COMMITTEE, MUEZZINOGLU PAINTED A DARK PICUTRE OF ECONOMY THAT MAY PREPARE TURKS FOR AUSTERITY MEASURES TO COME. THE NEW GOVERNMENT HAS PROBABLY CHOSEN THE BES ALTERNATIVE IN ADOPTING THE DEMIREL GOVERNMENT'S BUDGET. END SUMMARY

1. AT THE FIRST MEETING OF THE 1978 JOINT PARLIAMENTARY BUDGET COMMITTEE, ZIYA MUEZZINOGLU, FINANCE MINISTER IN THE NEW ECEVIT GOVERNMENT, PRESENTED THE BUDGET DRAFT THAT THE DEMIREL GOVERNMENT HAD SUBMITTED TO PARLIAMENT ON NOVEMBER 30. FFORMATION OF A BUDGET COMMITTEE HAD BEEN DELAYED BY LOCAL ELECTIONS AND THE POLITICAL CRISIS THAT ENDED WITH FORMATION OF THE ECEVIT GOVERNMENT. THE DEMIREL BUDGET IS AN AUSTERITY BUDGET (TOTAL EXPENDITURES OF 260 BILLION LIRAS); IF ADHERED TO, IT WOULD BRING A SUBSTANTIAL DECREASE IN THE REAL LEVEL OF SPENDING (REF A). ACCORDING TO PRESS, MUEZZINOGLU INDICATED THAT LEGAL CONSTRAINTS OF BUDGET APPROVAL PROCESS FORCED THE GOVERNMENT TO ADOPT THE DEMIREL DRAFT. MILLIYET, JANUARY 23, QUOTED HIM AS SAYING, "WE CANNOT BE EXPECTED TO DEFEND THIS BUDGET TO THE END. IT WAS ACCEPTED DUE TO A PECULIARITY OF CIRCUMSTANCES." LIMITED OFFICIAL USE

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HE ALSO REPORTEDLY SAID THAT A THREE-MONTH TEMPORARY BUDGET HAS BEEN CONSIDERED, BUT WAS REJECTED SINCE IT WOULD DELAY INVESTMENTS AND CREATE DISRUPTIONS (PRESUMABLY IN PLANNING.)

2. ACCORDING TO PRESS, MUEZZINOGLU INDICATED THAT CHANGES WOULD BE MADE IN ITEMS WITHIN THE DEMIREL BUDGET DRAFT TO BRING IT INTO CONFORMITY WITH ECEVIT GOVERNMENT'S PROGRAM. IN PARTICULAR, CHANGES MIGHT INCLUDE INCREASES IN INVESTMENTS, WITH PRIORITY GIVEN TO BADLY NEEDED ENERGY PROJECTS, AND INCREASED EXPENDITURES FOR SECURITY SERVICES TO COMBAT ANARCHY. LEFTIST CUMHURIYET, JANUARY 23, REPORTED THAT ENERGY INVESTMENTS ALONE WOULD BE INCREASED BY 5 BILLION LIRAS OVER DEMIREL PROPOSALS, THAT AUTHORITY TO INCREASE THE MINISTRY OF INDUSTRY APPROPRIATION BY 6 BILLION WOULD BE TRANSFERRED TO THE NEWLY FORMED MINISTRY OF ENTERPRISES (WHICH WILL OVERSEE STATE ENTERPRISES), AND THAT SECURITY SERVICES APPROPRIATIONS WOULD BE INCREASED BY 1.5 BILLION.

3. PRIME MINISTER ECEVIT REPORTEDLY MET, JANUARY 24, WITH REPUBLICAN PEOPLE'S PARTY (RPP) MEMBERS OF THE BUDGET COMMITTEE, URGING THEM TO HOLD EXPENDITURES AT 260 BILLION. REPORTS SUGGESTED THAT IF EXPENDITURES ROSE BY 10 BILLION,

THE GOVERNMENT WOULD IMPOSE AN ACROSS-THE-BOARD REDUCTION
OF SEVERAL PERCENTAGE POINTS IN SPENDING AUTHORIZATIONS.

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4. NEITHER ECEVIT NOR MUEZZINOGLU INDICATED HOW THE BUDGET
WOULD ABSORB A 12 BILLION LIRA INCREASE IN CIVIL SERVANT
WAGES, A CONSEQUENCE OF RECENT INCREASE IN THE MINIMUM WAGE
(REF B).

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5. MUEZZINOGLU'S PRESENTATION OF A BUDGET DRAFT PREPARED BY THE PRESENT OPPOSITION EVOKED CONFUSED REACTIONS FROM COMMITTEE MEMBERS. WHILE OPPOSITION MEMBERS WERE TORN BETWEEN THE DESIRE TO CRITICIZE THE EXISTING GOVERNMENT AND THE IMPOSSIBILITY OF REPUDIATING THEIR OWN GOVERNMENT'S BUDGET, GOVERNMENT MEMBERS WERE TORN BY CORRESPONDING BUT OPPOSITE IMPULSES. SOME OPPOSITION MEMBERS INDICATED THAT THEY WOULD DEFEND THE BUDGET; OTHER OPPOSITION MEMBERS APPLAUDED CRITICISMS MADE BY ETHEM KILICOGLU OF ECEVIT'S RPP. RPP-MEMBER MUHARREM SOKELI ALSO CRITICIZED THE BUDGET.

6. IN PRESENTING AND DEFENDING THE BUDGET DRAFT, MUEZZINOGLU PAINTED A DARK PICTURE OF TURKEY'S PRESENT ECONOMIC SITUATION. MILLIYET QUOTED HIM AS SAYING, "IN ONE SENSE WE DON'T WANT TO ACCEPT THAT TURKEY IS BANKRUPT, BUT IT HAS BEEN BROUGHT TO THIS POINT (OF HAVING NO RESERVES IN ACTUAL EXISTENCE), THAT IS, TO THE EDGE OF THE CLIFF." THE MINISTER OF FINANCE MAY BE PREPARING THE TURKISH NATION FOR NECESSARY AUSTERITY MEASURES, BUT HE MAY ALSO BE VULNERABLE TO CHARGES OF HAVING FURTHER DAMAGED TURKEY'S CREDIT STANDING. SUCH CHARGES WERE LEVELLED AGAINST BESIM USTUNEL, FINANCE MINISTER IN THE SHORT-LIVED ECEVIT GOVERNMENT OF LAST SUMMER, FOR SIMILAR REMARKS.

7. COMMENT: ECEVIT GOVERNMENT HAS PROBABLY TAKEN THE BEST POSSIBLE COURSE IN DECIDING AGAINST A THREE-MONTH TEMPORARY BUDGET OR A HASTY REVISION OF THE ENTIRE BUDGET. MOREOVER, TO ADOPT THE DEMIREL BUDGET, PLEADING NECESSITY OF TIME AND LAW, MAY HAVE BEEN THE ONLY WAY TO RESIST PRESSURES FROM WITHIN THE RPP FOR SUBSTANTIALLY HIGHER EXPENDITURES. IT IS SIGNIFICANT THAT SPECIFIC EXPENDITURE LIMITED OFFICIAL USE

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INCREASES WERE REPORTED ONLY IN CUMHURİYET, WHICH REPRESENTS THE LEFT SIDE OF THE SPECTRUM IN LEFT-OF-CENTER RPP, WHILE ECEVIT'S APPEAL TO LIMIT EXPENDITURE WAS HEADLINED IN RIGHT-OF-CENTER, OPPOSITION TERCUMAN, AND NOT IN CUMHURİYET. SPIERS

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